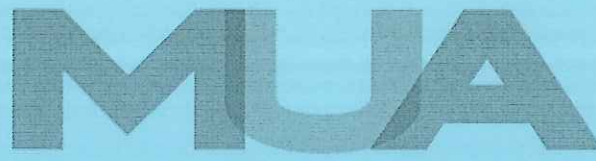


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 211 : MONEY AND BANKING

DATE: 4TH APRIL 2018

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case below carefully and answer the questions that follow:

KENYA ECONOMY

Of late we have seen the Kenyan Government floating a Eurobond to finance capital infrastructure in the country. Other commercial entities in Kenya have also raised funds through various instruments and financial markets from the public. These include floating bonds for example by Kenya Electricity Generating Company Ltd (Kengen) and Jamii Bora Bank, rights issues for example by Uchumi Supermarket, issuing commercial paper for example by East Africa Breweries Ltd among others.

- a) What are the definitions and characteristics of the following:- **(6 Marks)**
 - i) Bond
 - ii) Eurobond
 - iii) Commercial paper
- b) What role do the following play in a financial system? **(10 Marks)**
 - iv) Money Markets
 - v) Capital Financial Markets
- c) List and describe the financial instruments used in the money markets **(9 Marks)**

QUESTION 2

- a) For a regulator to succeed in any given industry, it must have certain features. Discuss at least five (5) features that a financial sector regulator must have **(10 Marks)**
- b) Using examples discuss some of the disadvantages of financial regulation. **(5 Marks)**

QUESTION 3

- a) The Central Bank of Kenya plays an important role in Kenya. Discuss the role of central bank of Kenya. **(8 Marks)**
- b) Discuss ways of controlling money supply in the country **(7 marks)**

QUESTION 4

List and explain at least eight (8) sources of funds for financial institutions

(15 Marks).

QUESTION 5

Conflicts can occur between the various players in the financial system and this either inefficiencies, outright sabotage among other undesirable outcomes.

Discuss the following agency problems and explain how a financial institution might attempt to minimize such problems between:-

- i. Shareholders and management,
- ii. Shareholders and debt holders
- iii. Management and employees

(15 Marks)

QUESTION 6

- a) Are there secondary reasons why banks exist? Explain

(8 Marks)

- b) Discuss the various sources of a bank's income

(7 Marks)

